HOUSING MARKET OUTLOOK
Hamilton and Brantford CMAs

CANADA MORTGAGE AND HOUSING CORPORATION

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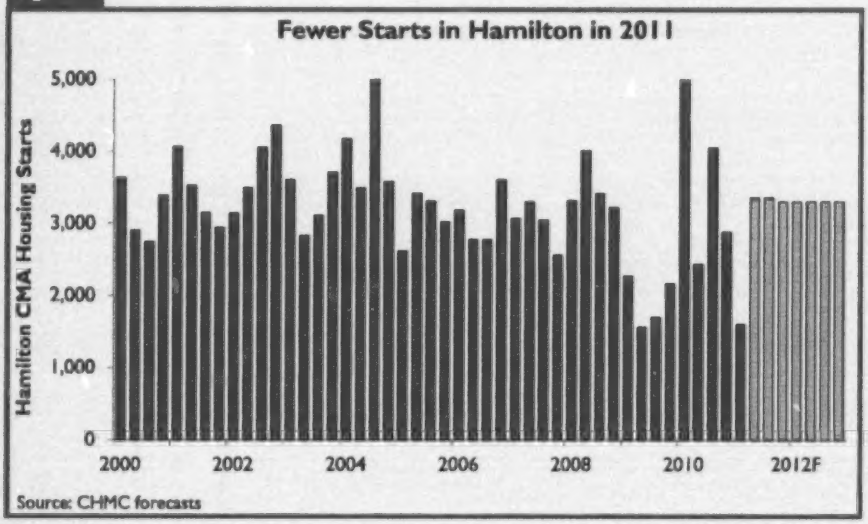
Market at a Glance

- A moderate increase in the number of jobs and the labour force throughout 2011 and into 2012 will support housing demand.
- MLS® sales and new listings will trend lower for most of 2011 before rising in step with stronger economic and employment conditions in 2012
- Higher density home construction will spur a rebound in new home starts in 2012.

Figure 1



[1] The forecasts included in this document are based on information available as of April 28, 2011.

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Figure 2

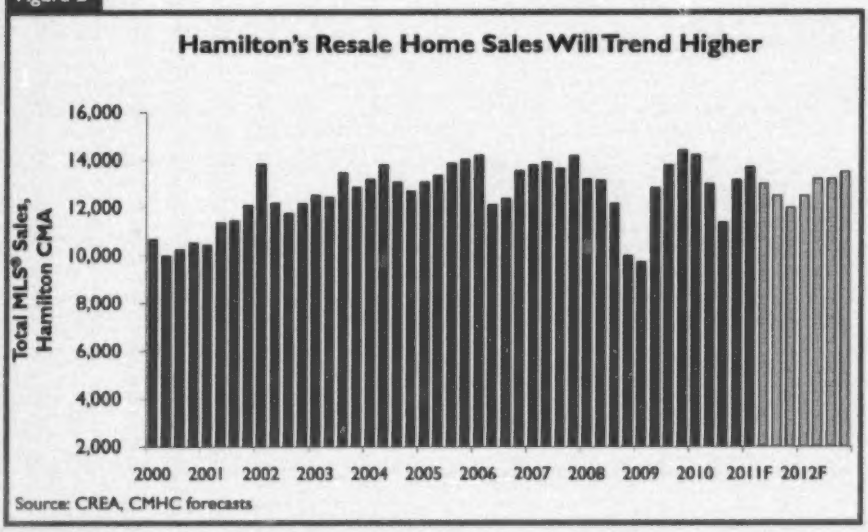
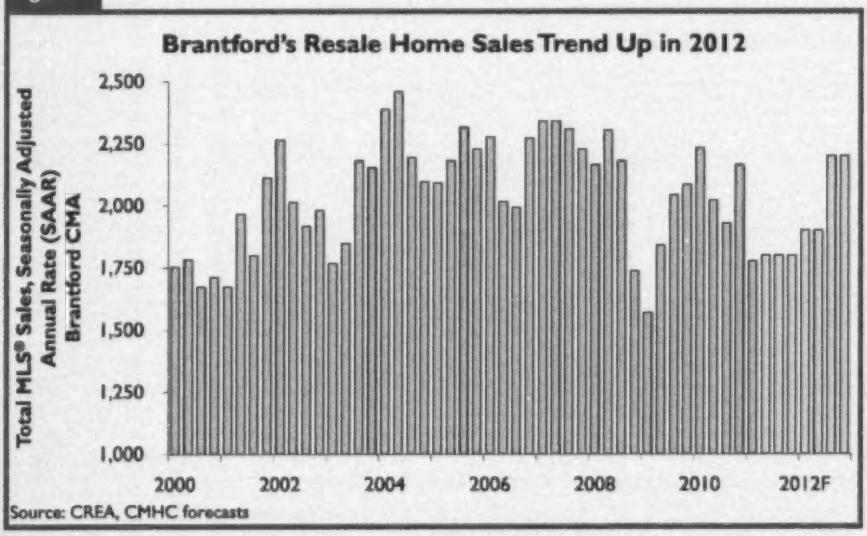


Figure 3



Resale Market

Resale Market in Recovery

The resale market will continue to be in recovery mode in 2011 following a temporary rebound in early 2010 when several transitory factors pulled up sales. Sales turned up in the first quarter of 2011, but will decline gradually in both CMAs. Changes to the mortgage insurance rules during the first quarter of this year again prompted buyers and sellers to make a move earlier in the year, pulling forward the distribution of sales for 2011. While consumers' increased willingness to make major commitments and strengthening employment opportunities through 2012 will bring more stability to the economy, higher mortgage rates will offset some of the increase in housing demand, especially from first-time buyers who are typically more sensitive to cost changes.

Furthermore, affordability of home ownership eased off in both the Hamilton and Brantford CMAs with the required income to own a home rising as a result of higher home prices. Using a comparison between the average required income to own a home and the average actual incomes of all households, we are able to examine the gap between these two points as a measure of affordability. The closing gap between these two measures suggests that affordability has diminished, although not unlike the levels seen in the years prior to the recession, when sales were undergoing a growth period.

Fewer Sellers Listing Homes

New listings were high in early 2011 as sellers listed their homes for sale in the first quarter of the year to capture a larger pool of buyers looking to enter home ownership prior to the change in mortgage insurance rules. In the Brantford CMA, new listings hit a five-year low at the end of 2010, but stronger demand by the end of 2011 and sustained price growth will encourage more sellers to return to the market. Move-up buyers in both markets will continue to monitor price trends in order maximize equity gains from selling their home. Also, consumers will be more willing to take on major commitments by the end of 2011and this will bring about more optimism for the resale market in 2012. New listings are forecast to trend higher on a quarterly basis through 2012 in both CMAs.

Figure 4

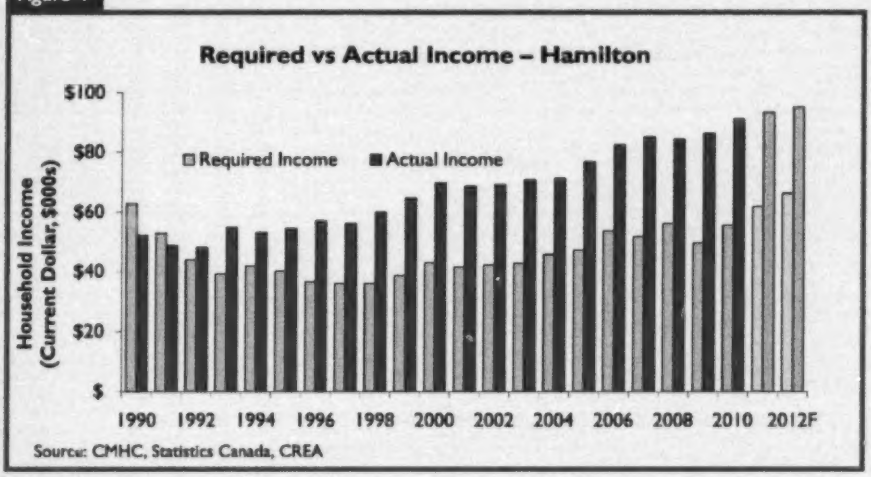
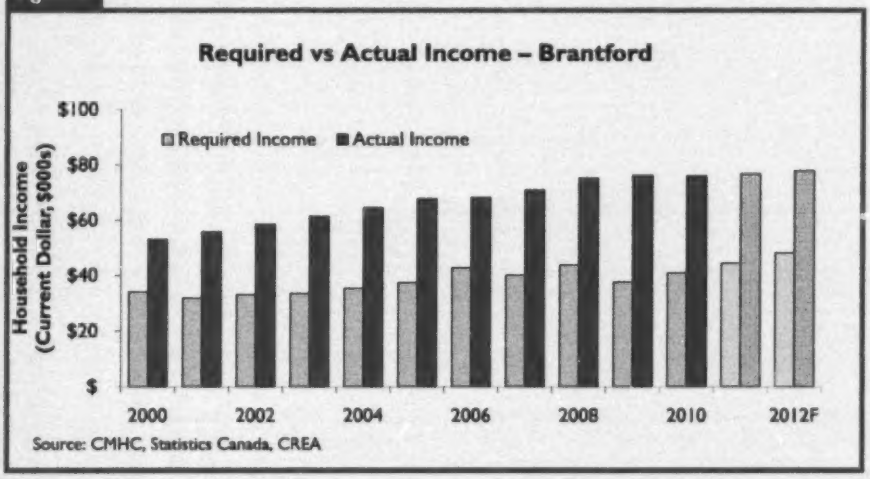


Figure 5



Average Price Still Rising

The market tightened up in the first quarter of 2011, causing more buyers to bid up the prices of the available homes for sale. However, more listings forecast through 2012 will mean more choice for buyers, and thus more balance between demand and supply. A balanced market will also lead to more restrained levels of price growth closer to the rate of inflation. The average price for all existing homes will reach $332,000 in the Hamilton CMA and $241,000 in the Brantford CMA in 2012.

Buyers Purchase Condos as Alternative

Buyers continue to tread cautiously when making a home purchase through the economic recovery. Since prices are expected to continue rising through 2012, some buyers will be looking to move to less expensive areas or purchase less expensive homes than anticipated. Some of these will be the potential buyers who held back from purchasing during the resurgence of market last year returning to the market and finding their hopes for lower prices have not materialized. This trend is borne out by recent statistics which indicate that much of the drop in sales in the Hamilton CMA has occurred in the freehold market (primarily the more expensive single-detached market), while condominium sales were on par with a year ago. Some other potential buyers planning to enter the ownership market will put their purchases on hold until they save enough for the required down payment.

New Home Market

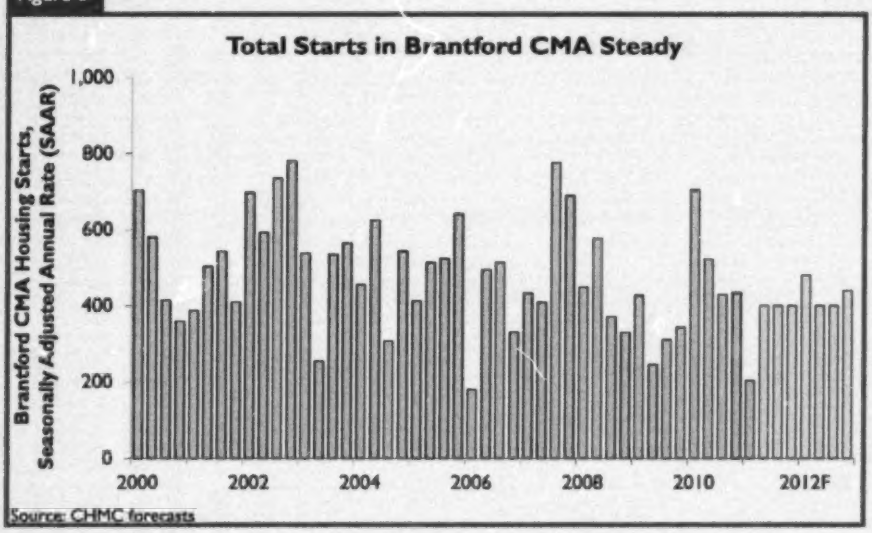
Fewer New Home Starts in Hamilton and Brantford

Starts in the Hamilton and Brantford CMAs will continue to be limited by the slow sales activity that characterized the housing markets during 2009 and 2010. Given that employment is still in a state of recovery and mortgage rates are expected to increase, starts will be sparse through most of 2011. In the Brantford CMA in particular, weaker employment conditions will put a damper on demand and lead to more volatility in new home starts. As with the resale market, new home starts are forecast to recover closer to the fourth quarter of 2011 and into 2012.

Higher Density Development

Starts of all home types will decline in 2011, but a stronger recovery in the semi-detached, townhouse and apartment markets is expected for 2012. While single-detached homes will continue to be a stronghold of both markets in the short term, the share of these traditional, family-sized homes in total starts is declining. Land

Figure 6



issues and provincial legislation that mandates intensification to support population growth will also mean a change to the distribution of new home starts. More townhouse and condominium apartment construction is expected when starts rebound in 2012. Ancaster, Glanbrook , Stoney Creek and Hamilton Mountain will continue to have the most active markets for new home construction of single-detached homes and townhouses given the greater availability of land for development in these areas. Single-detached and apartment development is also expected in the Dundas and Flamborough areas. Limited land availability for new residential construction in Burlington and some parts of the Brantford CMA will mean builders will have to look for ways to make efficient use of land. More starts of higher density homes are in the forecast for 2012 in these areas.

Single-Detached Price Will Increase

Higher new home prices are another factor putting a damper on demand in 2011. Besides demand, rising costs of some building materials have also contributed to higher prices. Many buyers looking to move up into a new home will also consider the choices available in the relatively less expensive resale market. Other buyers may look to less expensive choices in the new home market such as townhouses as an alternative to purchasing a new single-detached home. The average price of a new, single-detached home will reach $465,000 in the Hamilton CMA in 2011. In the Brantford CMA, the average price will be over $300,000.

Economic Trends

Moderate Increase in Employment

Several factors contribute to the state of the housing market. One of the key indicators of the direction of the housing market is the labour market because buyers need steady, full-time employment in order to purchase a home. Employment in the Hamilton CMA is forecast to increase at a moderate pace through 2011 and into 2012. .Employment growth in the Brantford CMA will be more subdued, given the challenges in job recovery from the recession. Several plant closures in the Brantford CMA have led to job losses which had ripple effects in the overall economy. However, infrastructure projects such as research and innovation centres and business parks in both

Figure 7

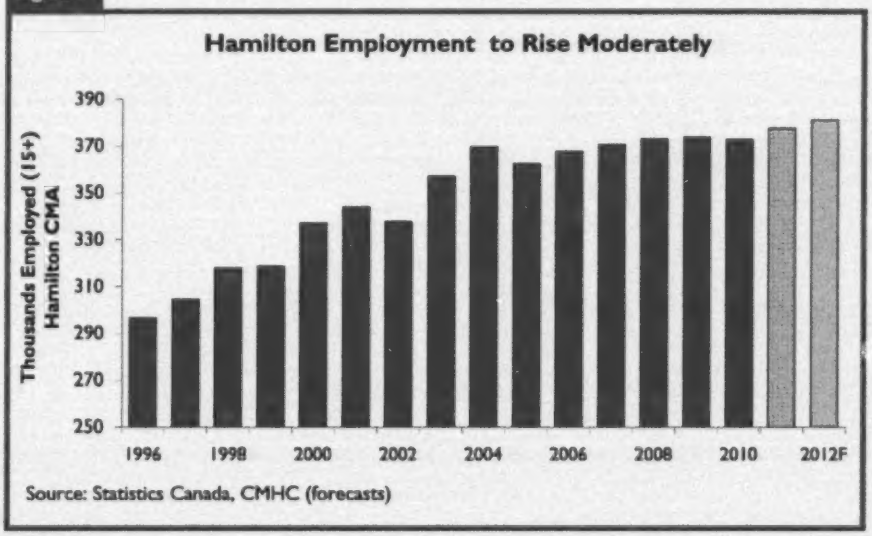
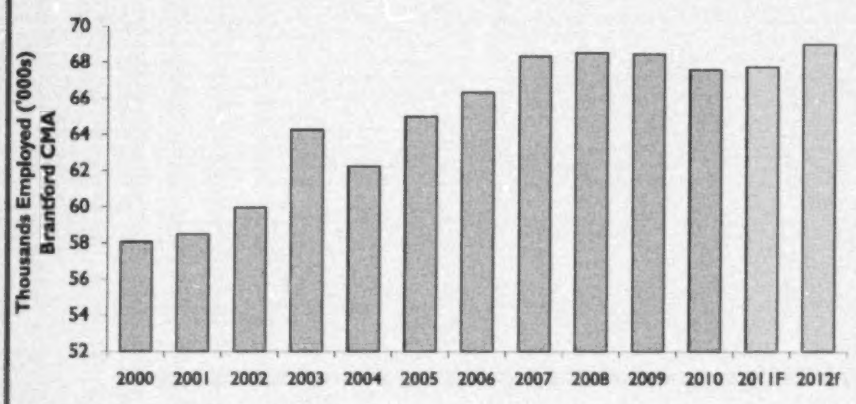


Figure 8

Brantford Employment to Rise Steadily in 2011



Source: Statistics Canada, CMHC (forecasts)

the Hamilton and Brantford areas will boost 2011 job growth in the non-residential construction industry, and once completed, will generate employment in the region.

Job Seekers Return to Labour Force

A gradual recovery in labour markets will encourage discouraged workers to re-enter the labour force in search of opportunities. It is important to note that while the unemployment rate is set to continue falling, a higher rate of participation in the labour force will mean increased competition for jobs, and slow the decline in the unemployment rate.

Modest job growth in the Hamilton CMA will result in average weekly earnings rising at a rate similar to the rate of inflation. A still-recovering job market in the Brantford CMA will mean the increases in wages will be less pronounced.

Newcomers Drive Migration to Hamilton

Migration to the Hamilton CMA will continue to drive population growth, and thus housing market activity through 2012. Nearly three-quarters of population growth was due to migration in 2010, mostly from international sources and from other parts of Ontario. International migrants comprised nearly 60 per cent of the total population growth between 2007 and 2010. The remainder of population growth comes from the natural increase in the population.

In the Brantford CMA, the bulk of migration growth will continue to be drawn from people moving to the area from other parts of the province. Many of them will be students moving to the area to attend school at the expanding Laurier Brantford campus. Young people moving to the Brantford CMA will continue supporting the rental market, and place downward pressure on the vacancy rate.

Mortgage Rate Outlook

On April 12th, the Bank of Canada announced that it was leaving the Target for the Overnight Rate unchanged at 1.0 per cent. The last increase in the overnight rate occurred on September 8, 2010 when the Bank of Canada raised it by 25 basis points. The Bank of Canada is expected to resume raising the overnight rate in the fourth quarter of 2011. Mortgage rates, particularly short term mortgage rates and variable mortgage rates, are expected to remain at historically low levels.

According to CMHC's base case scenario, posted mortgage rates will remain relatively flat in 2011 before increasing moderately in 2012. For 2011, the one-year posted mortgage rate is assumed to be in the 3.1 to 3.5 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.1 to 5.6 per cent range. For 2012, the one-year posted mortgage rate is assumed to be in the 3.4 to 4.3 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.2 to 6.3 per cent range.

Rates could, however, increase at a faster pace if the economy ends up recovering more quickly than presently anticipated. Conversely, rate increases could be more muted if the economic recovery is more modest in nature.

Forecast SUMMARY
Hamilton CMA
Spring 2011

	2008	2009	2010	2011f	% chg	2012f	% chg
Resale Market							
MLS® Sales	12,110	12,680	12,934	12,800	-1.0	13,100	2.3
MLS® New Listings	19,711	17,796	20,200	18,800	-6.9	19,200	2.1
MLS® Average Price ($)	280,790	290,946	311,683	326,000	4.6	332,000	1.8
New Home Market							
Starts:							
Single-Detached	1,675	899	1,753	1,600	-8.7	1,600	0.0
Multiples	1,854	961	1,809	1,500	-17.1	1,700	13.3
Semi-Detached	132	134	246	200	-18.7	250	25.0
Row/Townhouse	1,224	473	933	850	-8.9	900	5.9
Apartments	498	354	630	450	-28.6	550	22.2
Starts - Total	3,529	1,860	3,562	3,100	-13.0	3,300	6.5
Average Price ($):							
Single-Detached	404,532	445,600	453,563	465,000	2.5	475,000	2.2
New Housing Price Index (% chg.)	2.8	-1.1	1.6	1.0	-	1.3	-
Rental Market							
October Vacancy Rate (%)	3.2	4.0	3.7	3.4	-0.3	3.4	0.0
Two-bedroom Average Rent (October) ($)	836	831	862	839	-	855	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.70	4.02	3.49	3.23	-	3.76	-
Mortgage Rate (5 year) (%)	7.06	5.63	5.61	5.45	-	5.94	-
Annual Employment Level	373,100	374,100	371,800	377,500	1.5	381,000	0.9
Employment Growth (%)	0.8	0.3	-0.6	1.5%	-	0.9%	-
Unemployment rate (%)	6.1	8.4	7.6	7.0	-	6.6	-
Net Migration	3,071	3,678	4,111	4,300	4.6	4,600 **	

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

Forecast SUMMARY Brantford CMA Spring 2011	2008	2009	2010	2011f	% chg	2012f	% chg
Resale Market							
MLS® Sales	2,097	1,884	2,086	1,800	-13.7	1,900	5.6
MLS® New Listings	3,668	3,321	3,409	3,200	-6.1	3,250	1.6
MLS® Average Price ($)	218,890	220,369	229,678	235,000	2.3	241,000	2.6
New Home Market							
Starts:							
Single-Detached	283	258	280	260	-7.1	280	7.7
Multiples	149	59	224	100	-55.4	130	30.0
Semi-Detached	4	14	10	10	0.0	15	50.0
Row/Townhouse	116	42	116	90	-22.4	95	5.6
Apartments	29	3	71	0	-100.0	20	n/a
Starts - Total	432	317	504	360	-28.6	410	13.9
Average Price ($):							
Single-Detached	253,849	282,081	346,660	320,000	-7.7	332,000	3.8
New Housing Price Index (% chg.) (Ont.)	3.5	0.1	2.4	n.a.	-	n.a.	-
Rental Market							
October Vacancy Rate (%)	2.4	3.3	3.7	3.6	-0.1	3.3	-0.3
Two-bedroom Average Rent (October) ($)	752	754	778	770	-	780	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.70	4.02	3.49	3.23	-	3.76	-
Mortgage Rate (5 year) (%)	7.06	5.63	5.61	5.45	-	5.94	-
Annual Employment Level	68,600	68,500	67,400	67,750	0.5	69,000	1.8
Employment Growth (%)	0.0	-0.1	-1.6	0.5	-	1.8	-
Unemployment rate (%)	5.9	9.9	8.7	8.8	-	8.6	-
Net Migration	529	594	625	400	-36.0	450	12.5

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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